

UNITED STATES BANKRUPTCY COURT

Eastern District of California

Honorable Ronald H. Sargis

Chief Bankruptcy Judge

Sacramento, California

April 28, 2022 at 11:00 a.m.

1. [15-20352-E-13](#) **GREGORY/CLARICE BRIDGES** **CONTINUED STATUS CONFERENCE**
[21-2023](#) **CAE-1** **RE: AMENDED COMPLAINT**
BRIDGES ET AL V. LONG BEACH **11-12-21 [22]**
MORTGAGE CO. ET AL

Plaintiff's Atty: Peter G. Macaluso

Defendant's Atty: Arnold L. Graff

Adv. Filed: 4/19/21

Answer: none

Reissued Summons: 5/10/21

Amd Cmplt. Filed: 11/12/21

Answer: 3/3/22

Nature of Action:

Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

Notes:

Continued from 3/17/22. The Parties requested a final continuance to try and achieve an agreement resolving the final attorney's fee issue. If not resolved, the court will set a filing and briefing schedule for Plaintiff-Debtor to file a motion for prevailing party attorney's fees.

Plaintiffs' Status Conference Statement filed 4/20/22 [Dckt 42]

The Status Conference is XXXXXXX
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APRIL 28, 2022 STATUS CONFERENCE

On April 20, 2022, Plaintiff-Debtor filed a unilateral Status Conference Statement update, advising the court Plaintiff-Debtor and Defendant - PPH are in dispute over whether the alleged failure of Defendant - PPH to timely reconvey a void deed of trust as set forth in the Complaint is a basis for actionable claims to quiet title (if the void deed of trust has not been reconveyed), damages, and recovery

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of attorney's fees. Dckt. 43. Plaintiff-Debtor requests that the court allow for a ninety-day discovery schedule.

At the Status Conference, **XXXXXXX**

MARCH 17, 2022 STATUS CONFERENCE

At the Status Conference the Parties requested a continuance for a final attempt to reach agreement on the final issue – the amount of Plaintiff-Debtor's reasonable attorney's fees and costs as the prevailing party.

All other issues in this Adversary Proceeding have been resolved, with the deed of trust which continued encumbered Plaintiff-Debtor's property after the completion of the plan and two requests were made to have it reconveyed as there was not debt for it to secure (the court having determined pursuant to 11 U.S.C. § 506(a) that the value of the secured claim was \$0.00), having been reconveyed.

The parties requested a final continuance to try and achieve an agreement resolving the final attorney's fee issue. If not resolved, the court will set a filing and briefing schedule for Plaintiff-Debtor to file a motion for prevailing party attorney's fees.

SUMMARY OF COMPLAINT

The Amended Complaint filed by Gregory and Clarice Bridges ("Plaintiff-Debtor"), Dckt. 22, asserts the following basis for claims:

- A. Defendant Long Beach Mortgage Company was the holder of a note secured by a second deed of trust on the Subject Property,
- B. Washington Mutual Bank was the successor in interest to the note and deed of trust from Long Beach Mortgage.
- C. Washington Mutual Bank then assigned the note and deed of trust to Deutsche Bank National Trust Company, as Trustee for Long Beach Mortgage Loan Trust 2005-WL2.
- D. JP Morgan Chase Bank, N.A., as successor to Washington Mutual Bank, assigned the deed of trust to Deutsche Bank National Trust Company.
- E. Plaintiff-Debtor filed a Chapter 13 bankruptcy petition on January 18, 2015.
- F. Plaintiff-Debtor's confirmed Chapter 13 Plan provides that the second deed of trust will be void on completion of the Plan, having obtained an 11 U.S.C. § 506(a) valuation of the secured claim (the allegations indicating that the valuation was \$0.00 secured).
- G. Plaintiff-Debtor completed their Chapter 13 Plan and received their discharge (on August

20, 2020). Counsel for Plaintiff-Debtor sent to Defendant a request for reconveyance of the second deed of trust.

H. Plaintiff-Debtor's counsel sent Defendant on December 12, 2022, a reminder notice requesting a reconveyance of the second deed of trust.

I. Plaintiff-Debtor has been attempting to obtain a refinance of the obligation secured by the senior deed of trust on the Subject Property, but has been prevented by the existence of the second deed of trust appearing in the chain of title with the county recorder.

J. The First Cause of Action seeks "mere" Declaratory Relief to state prospectively:

1. That Defendant(s) have an obligation to reconvey the second deed of trust.
2. That Defendant(s) are in violation of the court's order that the second deed of trust has been satisfied. (No order is referenced in the pleadings, nor is a copy attached as an exhibit.)
3. That a deed of reconveyance should have been recorded.
4. It further states:

30. As Defendants have finally taken action in November of 2021 to remove the Second Deed of Trust, it calls into question whether, after the Second Deed of Trust has been satisfied and discharged, the Defendants believe they have a duty to release the lien without post-petition litigation by the Debtor. Therefore, Plaintiffs seek a determination, pursuant to rule 4007 of the Federal Rules of Bankruptcy Procedure (28 U.S.C.) subdivisions (a) and (b), that the debt has been fully discharged and any security interest voided.

With respect to requesting "Declaratory Relief," it appears that the bell has rung and what Plaintiff-Debtor would be seeking is to enforce rights relating to confirmation of the Plan and completion of the Plan. Not merely the court telling the parties, for their future use in decision making, what the respective rights and interests are of the parties so that they can be guided accordingly.

It appears that in November 2021 the second deed of trust was reconveyed. This is well after the December 2020 completion of the Plan and Plaintiff-Debtor's counsel sending the request and reminder request for Defendant to clear the title to the property of the second deed of trust.

Additionally, it is not clear what "order" the court would have entered stating that the second deed of trust was "satisfied." Obligations can be satisfied (paid), and liens, like a deed of trust, merely secure obligations. As this court has written, published, and affirmed on appeal, when an obligation secured by a lien on property has been determined to have a \$0.00 value as a secured claim pursuant to 11 U.S.C. § 506(a) and the debtor completes the plan, then the value of the secured obligation is locked at zero and the lien is void as a matter of California State Law and Federal Law. The holding of the lien, such as a deed of trust, has a contractual (deed of trust) and State Law statutory obligation to promptly

reconvey the void deed of trust once there is no longer an obligation which it secured. The \$0.00 valuation that is locked in upon completion of the Chapter 13 Plan results in the deed of trust no longer securing any obligation (as this court has previously written, published, and been affirmed).

K. The Second Cause of Action is titled “Extinguishment of the Second Deed of Trust Claim.”

1. It asserts that under “applicable law,” upon completion of the Chapter 13 Plan the court has the “authority to extinguish the Second Deed of Trust.”
2. This appears to assert a claim for the court to quiet title, determining that the asserted void second deed of trust does not encumber the Subject Property, and enter a judgment determining that the second deed of trust is of no legal force or effect.

L. The Third Cause of Action is for monetary damages pursuant to California Civil Code § 2941(d). These are damages arising when the beneficiary under a deed of trust or the trustee fails to timely reconvey a deed of trust.

M. The Fourth Cause of Action asserts a claim for breach of contract (the deed of trust) for failing to timely record the reconveyance of the deed of trust.

N. The Fifth Cause of Action seeks the recovery of statutory and contractual attorney’s fees.

SUMMARY OF ANSWER

On March 3, 2022, PHH Mortgage Corporation (“Defendant- PPH”) filed an Answer, Dckt. 36. No answer has been filed by any other named defendant.

In the Answer, Defendant- PPH, admits and denies specific allegations in the Amended Complaint. Additionally, Defendant- PPH asserts twenty-seven (27) affirmative defenses.

FINAL BANKRUPTCY COURT JUDGMENT

Gregory and Clarice Bridges, Plaintiff-Debtor, alleges in the Complaint that jurisdiction for this Adversary Proceeding exists pursuant to 28 U.S.C. §§ 1334 and 157(b)(2), and that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(I), (K). Complaint ¶¶ 2, 3; Dckt. 22. In the Answer, PHH Mortgage Corporation, Defendant-PPH, admits the allegations of jurisdiction, and “admits” that Plaintiff-Debtor consents to this being a core proceeding. Answer ¶¶ 2; Dckt. 36.

ISSUANCE OF PRE-TRIAL SCHEDULING ORDER

The court shall issue a Pre-Trial Scheduling Order setting the following dates and deadlines:

- a. Gregory and Clarice Bridges, Plaintiff-Debtor, alleges in the Complaint that jurisdiction for this Adversary Proceeding exists pursuant to 28 U.S.C. §§ 1334 and

157(b)(2), and that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(I), (K). Complaint ¶¶ 2, 3; Dckt. 22. In the Answer, PHH Mortgage Corporation, Defendant-PPH, admits the allegations of jurisdiction, and “admits” that Plaintiff-Debtor consents to this being a core proceeding. Answer ¶¶ 2; Dckt. 36. **To the extent that any issues in the existing Complaint as of the Status Conference at which the Pre-Trial Conference Order was issued in this Adversary Proceeding are “related to” matters, the parties consented on the record to this bankruptcy court entering the final orders and judgement in this Adversary Proceeding as provided in 28 U.S.C. § 157(c)(2) for all issues and claims in this Adversary Proceeding referred to the bankruptcy court.**

- b. Initial Disclosures shall be made on or before **May 10, 2022**.
- c. Expert Witnesses shall be disclosed on or before **xxxxxxx , 2022**, and Rebuttal Expert Witnesses, if any, shall be disclosed on or before **xxxxxxx, 2022**.
- d. Discovery closes, including the hearing of all discovery motions, on **July 29, 2022**.
- e. Dispositive Motions shall be heard before **September 1, 2022**.
- f. The Pre-Trial Conference in this Adversary Proceeding shall be conducted at **11:00 a.m. on September 22, 2021**.